



Date: April 29, 2014
To: Thomas Bonfield, City Manager
From: Germaine Brewington, Director of Audit Services
Subject: Transmittal of the Grants Drawdown Performance Audit (April 2014)

Executive Summary

The Department of Audit Services completed the report on the Grants Drawdown Performance Audit dated April 2014. The purpose of the audit was to determine if the City of Durham is drawing down eligible federal and state funds in a timely manner.

Background

City Policy FP 103 "Administration of Grants" establishes a uniform method for the application, acceptance, budgeting, administration and management of grants.

The City of Durham receives funding from various federal and state agencies for a variety of programs and projects. Generally, the City is required to expend funds first on eligible grant activities or anticipate expending the funds within three days before requesting a reimbursement from the federal grantor agency. Whenever possible, the City will request advances before the actual expenditure of grant funds. However, for awards conducted on a reimbursement basis, the department must drawdown expended funds on a quarterly basis, at a minimum; unless otherwise specified by the funding agency. The exception to that quarterly requirement is that a department must perform a draw of funds immediately if at month-end any award has unreimbursed expenditures in excess of \$20,000. The Federal Program expenditures for fiscal year 2013 totaled approximately \$21.3 million. The State Program expenditures for fiscal year 2013 totaled approximately \$9.5 million.

Many departments at the City receive both State and federal grant awards. The external auditors for the City, through the Single Audit examine the major programs, including the administration of grants. The sample of departments selected, and the specific grants selected for this audit were not duplicated in the City's Single Audit. The departments selected were the:

- Police Department
- Public Works Department
- Transportation Department; and
- Fire Department.

Results in Brief

The Departments of Transportation and Public Works were out of compliance with City Policy FP 103. The Department of Public Works had received an exception to the requirement for monthly drawdowns because they were consistently drawing down funds on a quarterly basis.

Issues and Analysis

The attached report details the objectives, observations, and results of the Grants Drawdown Performance Audit dated April 28, 2014.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Grants Drawdown Performance Audit dated April 2014 as presented and approved at the April 28, 2014 Audit Services Oversight Committee meeting.

Attachment